

Geomark Exploration Ltd. Third Quarter 2011

Financial and Operational Highlights

As at and for the periods ended	Three months		Nine months	
	September 30, 2011	September 30, 2010 Restated ⁽¹⁾	September 30, 2011	September 30, 2010 Restated ⁽¹⁾
Financial (\$ 000s, except \$ per share)				
Revenue				
Mineral Division ⁽²⁾	178	13,636	530	13,779
Oil and Gas Division	521	526	1,482	1,785
Funds Flow ⁽³⁾				
Per Share Basic and Diluted ⁽⁴⁾	0.00	0.00	0.01	0.00
Cash Deficiency from Operations				
Per Share Basic and Diluted ⁽⁴⁾	(0.00)	(0.00)	(0.01)	(0.01)
Net Earnings (Loss)				
Per Share Basic and Diluted ⁽⁴⁾	(0.01)	0.26	(0.00)	0.25
Capital Expenditures				
Mineral Division	501	47	1,793	47
Oil and Gas Division	11	1	26	158
Total Assets				
Mineral Division			41,266	40,174
Oil and Gas Division			11,015	10,796
Oil and Gas Operations				
Barrels of Oil Equivalent (BOE) per day ⁽⁵⁾	125	161	129	156

⁽¹⁾ The comparative highlights have been restated with the adoption of International Financial Reporting Standards (IFRS).

⁽²⁾ Geomark is a junior mineral exploration company with mineral revenue currently from non-production sources.

⁽³⁾ Funds flow is not a recognized measure under IFRS. For these purposes, the Company defines funds flow as funds provided by operations after including investment dividend and interest income and the changes in non-cash investing working capital related to these sources of investment income.

⁽⁴⁾ Geomark issued one common share upon incorporation on April 20, 2010, and on July 6, 2010 issued 52,039,760 common shares as consideration for the net investment in Geomark Operations with an ascribed net book value of \$21,152,000 as at December 31, 2009 and cancelled the original common share. For purposes of the per share calculations, it was assumed that all 52,039,760 shares issued have been outstanding since January 1, 2010.

⁽⁵⁾ Barrels of Oil Equivalent (BOE) are calculated using a conversion ratio of 6 MCF to 1 barrel of oil. The conversion is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead and as such may be misleading if used in isolation.

Report to Shareholders

Geomark Exploration Ltd. (Geomark or the Company) is pleased to announce its financial and operational results for the three and nine month periods ended September 30, 2011.

Business Development

Geomark's business strategy is to acquire either early stage or smaller advanced precious metal mineral properties and operate exploration programs on them to advance the prospects into defined economic deposits or producing assets.

The Geomark team has been very actively seeking mineral exploration opportunities (projects and/or companies) in North America. Many precious metal properties have been examined with a significant number advancing through to Confidentiality Agreements and detailed analysis and property visits.

In this current environment of record high commodity prices and related, but overheated property valuations, Geomark is committed to maintaining its prudent approach to joint venture and M&A activity. Recent market volatility in the last several months, however, appears to have tightened credit markets somewhat, leading to concern by junior exploration companies over their ability to finance their projects going forward. Geomark's large cash position of approximately \$40 million, its current very liquid investments of approximately \$10 million and cash flow derived from its oil and gas (O&G) production, dividends and interest income provide the Company many investment advantages compared to its peers.

Financial

The Company's solid financial position provides it with the means and flexibility to act quickly in any future potential deal. Working capital at September 30, 2011 was approximately \$48.0 million, including the value of liquid investments of \$9.2 million. Geomark's anticipated annual cash flow from its O&G operations and interest and investment income will be more than adequate to pay all general and administrative costs on a yearly basis and to provide a portion of the funding for property acquisitions and/or exploration.

Operations

Geomark completed a \$1.65 million exploration program on four of its Ontario gold properties in 2011. This included a 6,500 meter drill program (11 drillholes) on two of the Company's Timmins area properties. Results indicated generally low gold tenor in the eleven drillholes, however, the degree of alteration and shearing observed suggested proximity to a potential mineralized system (see press releases dated June 28, 2011 and September 18, 2011 for additional information). Further assessment of these results will be undertaken prior to any additional programs on the properties.

Outlook

The Company's main focus continues to be the pursuit of new precious metal properties that can be added to the Company's portfolio. Geomark has very experienced management and a strong technical team with a history of success and an enviable balance sheet. The Company will continue to direct its efforts toward precious metal targets in jurisdictions with low geopolitical risk.



George F. Fink
Chairman of the Board and Chief Executive Officer



Mark J. Balog
President and Chief Operating Officer

Management's Discussion and Analysis

The following report dated November 18, 2011 is a review of the operations and current financial position for the three and nine month periods ended September 30, 2011 for Geomark Exploration Ltd. (Geomark or the Company) and should be read in conjunction with the unaudited interim condensed consolidated financial statements presented under International Financial Reporting Standards (IFRS), including the notes related thereto, and the audited financial statements presented under Canadian generally accepted accounting principles (Canadian GAAP) for the fiscal year ended December 31, 2010, together with the notes related thereto.

A reconciliation of the new and revised standards and interpretations are outlined in Note 13 of the September 30, 2011 unaudited interim condensed financial statements for the comparative periods.

Transition to IFRS from Canadian GAAP

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants (CICA Handbook). In 2010, the CICA Handbook was revised to incorporate IFRS and now requires publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in the interim financial statements in accordance with International Accounting Standards (IAS) 34 – Interim Financial Reporting (IAS 34) after applying the requirements of International Financial Reporting Standard 1 – First-time Adoption of International Financial Reporting Standards (IFRS 1). In the Management's Discussion and Analysis (MD&A), the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS. The Company's financial statements for the year ending December 31, 2011 will be the first annual financial statements that comply with IFRS.

IFRS are premised on a conceptual framework similar to Canadian GAAP, however, significant differences exist in certain matters of recognition, measurement and disclosure. On adoption, the Company utilized certain first-time adoption exemptions available resulting in significant changes to the statement of financial position and statement of comprehensive income.

The accounting policies, methods of application, and the use of judgments and estimates followed in the preparation of the condensed consolidated financial statements and the required and allowed exemptions from retrospective application of IFRS from the transition date of January 1, 2010 are the same as those followed in the preparation of Geomark's March 31, 2011 unaudited interim condensed consolidated financial statements. Note 15 of our March 31, 2011 unaudited interim condensed consolidated financial statements provides detailed reconciliations between Canadian GAAP and IFRS of shareholders' equity as at January 1, 2010 and December 31, 2010 and of net income for the year ended December 31, 2010. Note 13 of our September 30, 2011 unaudited interim condensed consolidated financial statements provides detailed reconciliations between Canadian GAAP and IFRS of shareholders' equity as at September 30, 2010 and of comprehensive income for the three and nine month periods ended September 30, 2010. These reconciliations provide explanations of each major difference.

Basis of Presentation

Geomark was incorporated on April 20, 2010 as a 100 percent wholly-owned subsidiary of Comaplex Minerals Corp. (Comaplex). Pursuant to an acquisition agreement between Comaplex, Agnico-Eagle Mines Ltd. (Agnico-Eagle) and Geomark (the Arrangement), Agnico-Eagle acquired on July 6, 2010 all of the issued and outstanding common shares of Comaplex on the basis of one Comaplex share for 0.1576 of an Agnico-Eagle share. Also on July 6, 2010, Geomark was capitalized with Comaplex's Carved Out Operations' assets and obligations (Geomark Operations), including a 100 percent wholly-owned subsidiary WMC International Limited. In return, Geomark's common shares were distributed to the shareholders of Comaplex, other than Agnico-Eagle and Perfora Investments S.a.r.l. (Perfora) (a wholly owned subsidiary of Resource Capital Fund III

L.P.) on the basis of one Geomark share for every Comaplex share. The initial share issued to Comaplex was then cancelled.

As Geomark and the Geomark Operations were under common control, these consolidated financial statements have been presented using accounting for a common control transaction and represent the activities of the above noted entities from the date each commenced operations. The consolidated financial statements presented for comparative purposes reflect the financial position, results of operations and cash flows as if Geomark had been consolidated with the Geomark Operations since inception.

Use of non-IFRS financial measures

Included in this MD&A we use the term “funds flow” to analyze the Company’s operating performance. Funds flow is not a standardized measure recognized under IFRS and does not have a standardized meaning prescribed by IFRS. This funds flow calculation is considered by management to be informative for shareholders and analysts. This measure may differ from those made by other companies and accordingly may not be comparable to such measures as reported by other companies.

Geomark’s funds flow is calculated by adding investment dividend and interest income and the changes in non-cash investing working capital related to these sources of investment income to cash flow (deficiency) from operating activities.

Forward-Looking Statements

Certain statements contained in this MD&A include statements which contain words such as “anticipate”, “could”, “should”, “expect”, “seek”, “may”, “intend”, “likely”, “will”, “believe” and similar expressions, statements relating to matters that are not historical facts, and such statements of our beliefs, intentions and expectations about development, results and events which will or may occur in the future, constitute “forward-looking information” within the meaning of applicable Canadian securities legislation and are based on certain assumptions and analysis made by us derived from our experience and perceptions. Forward-looking information in this MD&A includes, but is not limited to: expected cash provided by continuing operations; future capital expenditures, including the amount and nature thereof; mineral prices and demand, oil and natural gas prices and demand; expansion and other development trends of the mineral and oil and gas industry; business strategy and outlook; expansion and growth of our business and operations; and maintenance of existing customer, supplier and partner relationships; supply channels; accounting policies; credit risks; and other such matters.

All such forward-looking information is based on certain assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the circumstances. The risks, uncertainties, and assumptions are difficult to predict and may affect operations, and may include, without limitation: foreign exchange fluctuations; equipment and labour shortages and inflationary costs; general economic conditions; industry conditions; changes in applicable environmental, taxation and other laws and regulations as well as how such laws and regulations are interpreted and enforced; the ability of mineral companies to raise capital; the effect of weather conditions on operations and facilities; the existence of operating risks; volatility of oil and natural gas prices; oil and gas product supply and demand; risks inherent in the ability to generate sufficient cash flow from operations to meet current and future obligations; increased competition; stock market volatility; opportunities available to or pursued by us; and other factors, many of which are beyond our control. The foregoing factors are not exhaustive.

Actual results, performance or achievements could differ materially from those expressed in, or implied by, this forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do, what benefits will

be derived therefrom. Except as required by law, Geomark disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

The forward-looking information contained herein is expressly qualified by this cautionary statement.

QUARTERLY FINANCIAL AND OPERATIONAL HIGHLIGHTS

IFRS							
(\$ 000s, except \$ per share)	2011				2010		
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue							
Minerals Division ⁽¹⁾	178	177	175	179	13,636	73	70
Oil and Gas Division	521	547	414	443	526	686	573
Funds Flow	193	270	122	300	60	(41)	204
Per Share Basic and Diluted ⁽²⁾	0.00	0.01	0.00	0.01	0.00	(0.00)	0.00
Cash Flow (Deficiency) From							
Operations	(104)	(24)	(162)	(1)	(182)	(239)	23
Per Share Basic and Diluted ⁽²⁾	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	0.00
Net Earnings (Loss)	(281)	141	(27)	186	13,274	(12)	(166)
Per Share Basic and Diluted ⁽²⁾	(0.01)	0.00	(0.00)	0.00	0.26	(0.00)	(0.00)
Capital Expenditures							
Minerals Division	501	616	677	179	47	-	-
Oil and Gas Division	11	10	4	8	1	-	157
Oil and Gas Operations							
Barrels of Oil Equivalent (BOE) per day ⁽³⁾	125	124	139	125	161	148	161

Canadian GAAP				
(\$ 000s, except \$ per share)	2009			
	Q4	Q3	Q2	Q1
Revenue				
Minerals Division ⁽¹⁾	72	59	77	39
Oil and Gas Division	549	367	425	557
Cash Flow (Deficiency) From Operations and Funds Flow	(77)	123	(262)	(76)
Per Share Basic and Diluted ⁽²⁾	(0.00)	0.00	(0.01)	(0.00)
Net Loss	(673)	(461)	(318)	(109)
Per Share Basic and Diluted ⁽²⁾	(0.01)	(0.01)	(0.01)	(0.00)
Capital Expenditures				
Minerals Division	-	-	-	-
Oil and Gas Division	144	112	184	164
Oil and Gas Operations				
Barrels of Oil Equivalent (BOE) per day ⁽³⁾	139	139	150	177

⁽¹⁾ Geomark is a junior mineral exploration company with mineral revenue currently from non-production sources.

⁽²⁾ Geomark issued one common share upon incorporation on April 20, 2010, and on July 6, 2010 issued 52,039,760 common shares as consideration for the net investment in Geomark Operations with an ascribed net book value of \$21,152,000 as at December 31, 2009 and cancelled the original common share. For purposes of the per share calculations, it was assumed that all 52,039,760 shares issued have been outstanding since January 1, 2009.

⁽³⁾ Barrels of Oil Equivalent (BOE) are calculated using a conversion ratio of 6 MCF to 1 barrel of oil. The conversion is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead and as such may be misleading if used in isolation.

RESULTS OF OPERATIONS**Production**

	Three months ended			Nine months ended	
	Sept. 30, 2011	June 30, 2011	Sept. 30, 2010	Sept. 30, 2011	Sept. 30, 2010
Natural gas (MCF per day)	533	530	731	557	693
Natural gas liquids (barrels per day)	36	35	39	36	41
Total BOE per day	125	124	161	129	156

Average production was lower in the first three quarters of 2011 compared to the first three quarters of 2010 due to natural production declines and flush production from a field optimization program conducted in the latter half of 2009 and early 2010 that increased the prior period production.

Revenues

(\$ 000s)	Three months ended			Nine months ended	
	Sept. 30, 2011	June 30, 2011	Sept. 30, 2010	Sept. 30, 2011	Sept. 30, 2010
Minerals Division Revenue:					
Receipt of contingent receivable	-	-	13,500	-	13,500
Interest and other	178	177	136	530	279
Total Mineral Division Revenue	178	177	13,636	530	13,779
Oil and Gas Division Revenue:					
Oil and gas sales	452	434	427	1,329	1,491
Less:					
Crown royalties	76	30	21	269	33
Freehold royalties	14	13	15	40	47
Total Royalties	90	43	36	309	80
Oil and gas sales, net of royalties	362	391	391	1,020	1,411
Dividend income	159	156	135	462	374
Total Oil and Gas Division Revenue	521	547	526	1,482	1,785
Average Realized Prices (Cdn \$):					
Natural gas (per MCF)	4.25	4.04	3.74	4.05	4.43
Natural gas liquids (per barrel)	72.09	74.43	49.00	71.12	57.82
Royalties – percentage of revenue	20.0	10.0	8.5	23.3	5.4
Royalties \$ per BOE	7.87	3.85	2.45	8.77	1.88

In December 2009, Comaplex acquired Meliadine Resources Ltd. from Perfora Investments S.a.r.l. (Perfora) (a wholly owned subsidiary of Resource Capital Fund III L.P.), by issuance of 12,750,000 common shares of Comaplex. As part of the Purchase and Sale Agreement, Perfora was required to pay additional consideration to Comaplex for the issued common shares upon their sale to a maximum of \$13,500,000.

The right to the contingent receivable was transferred to Geomark as part of the Geomark Operation assets, pursuant to an acquisition agreement between Comaplex, Agnico-Eagle and Geomark (the "Arrangement"). Agnico-Eagle acquired on July 6, 2010 all of the issued and outstanding common shares of Comaplex on the

basis of one Comaplex share for 0.1576 of an Agnico-Eagle share. Performa sold all of its 2,009,400 Agnico-Eagle common shares (12,750,000 times 0.1576 exchange ratio) in the third quarter of 2010. Geomark has received the maximum consideration of \$13,500,000 and booked the amount as income.

Interest and other income for the first nine months of 2011 increased by \$251,000 from the first nine months of 2010. The increase in interest income was mainly due to increased funds from the receipt of a \$13,500,000 contingent receivable and higher interest rates earned on the \$8,000,000 additional funds loaned to Bonterra Energy Corp. (Bonterra) in the third quarter of 2010 (see related party transactions). In the fourth quarter of 2010, the Company also purchased a \$12,000,000 guaranteed investment certificate (GIC) that earns 1.3 percent per annum. On November 8, 2011, the GIC plus accrued interest of \$158,400 was renewed at 1.1 percent per annum, matures on November 7, 2012 and is redeemable on demand.

Revenue from petroleum and natural gas sales decreased 11 percent in the first nine months of 2011 compared to the first nine months of 2010 due to a decrease in natural gas prices and lower production volumes; this was partially offset by higher natural gas liquid prices. Quarter over quarter, the Company saw an increase in revenue due to an ethane production adjustment, which was partially offset by lower commodity prices for natural gas liquids.

On February 1, 2009, the operator of one of the Company's oil and gas properties unilaterally stopped allocating natural gas production (approximately 55 MCF per day) to Geomark and the other minority interest partners based on the operator's interpretation of the pooling agreement. It is the Company's position that this interpretation of the agreement is incorrect and the non-operating partners should continue to receive this production. None of the natural gas in dispute has been recorded as sales from this property. Geomark has filed a claim against the operator. Until the matter is resolved, no amounts will be accrued in respect of this production.

Crown royalties for the first nine months of 2011 were higher than the first nine months of 2010 because \$102,000 of crown royalties were recovered in Q2 2010 relating to the Alberta crown royalty drilling credits program.

To minimize royalty expense, Geomark acquired a total of \$204,000 in Alberta crown royalty drilling credits from Bonterra for \$102,000 in two separate transactions of equal amounts. One transaction was completed in the first quarter of 2010 and the other transaction was completed in the last quarter of 2009. These Alberta crown royalty drilling credits reduce Alberta crown royalty expense to a maximum of 50 percent of crown royalties payable. The crown royalty drilling credit program expired March 31, 2011.

Due to delays by industry partners and the Alberta Crown in recognizing the change in ownership for the oil and gas properties that were transferred from Comaplex to Geomark, the correct allocation of production volumes and crown royalty amounts payable could not be accurately determined between Companies. Therefore the correct allocation of gas cost allowance (GCA) deductions and crown royalty drilling credits could initially not be applied appropriately. In the second quarter of 2011, the differences were resolved resulting in a large crown royalty recovery as the appropriate GCA deductions and crown royalty drilling credits were applied to prior periods.

Dividend income from Bonterra increased in the first nine months of 2011 over 2010. This was due to Bonterra increasing its dividends to \$2.26 per share for the first nine months of 2011 from \$1.83 per share for the first nine months of 2010. Dividend income was unchanged quarter over quarter as the dividend received from Bonterra for the second and third quarter of 2011 was \$0.78 per share.

Production Costs

	Three months ended			Nine months ended	
	Sept. 30, 2011	June 30, 2011	Sept. 30, 2010	Sept. 30, 2011	Sept. 30, 2010
Production costs – Natural gas/NGLs (\$ 000s)	126	119	197	348	492
\$ per BOE	10.91	10.61	13.40	9.86	11.54

Lower production costs for the first nine months of 2011 compared to the first nine months of 2010 are a result of a reduction in production volumes and costs due to the field optimization program conducted in the first quarter of 2010 that substantially increased production volumes for that period. Q3 2011 production costs remained relatively unchanged as increased fuel and power costs in the third quarter were offset by the payment of the annual mineral taxes in the second quarter of 2011.

General and Administrative (G&A) Expenses

(\$ 000s)	Three months ended			Nine months ended	
	Sept. 30, 2011	June 30, 2011	Sept. 30, 2010	Sept. 30, 2011	Sept. 30, 2010
Office and administration – Minerals	113	68	298	307	660
Office and administration – Oil and Gas	32	31	30	88	108
Employee compensation	178	176	202	523	539
Unwinding of the discounted value of decommissioning liabilities	2	3	2	8	6
Total general and administrative expenses	325	278	532	926	1,313

Minerals division office and administrative expenses decreased by \$353,000 in the first nine months of 2011 compared to the first nine months of 2010 due to decreased legal and compliance costs with regard to the incorporation and commencement of operations for Geomark on July 6, 2010. This was partially offset by a decrease in direct overhead being capitalized. Q3 2011 expenses increased over Q2 2011 due to an increase in continuous disclosure costs and less direct overhead being capitalized for work done on mineral properties.

The decrease of the Oil and Gas division G&A expenses of \$20,000 for the first nine months of 2011 compared to the first nine months of 2010 was mainly due to decreased oil and gas engineering costs.

Share-Based Payments

(\$ 000s)	Three months ended			Nine months ended	
	Sept. 30, 2011	June 30, 2011	Sept. 30, 2010	Sept. 30, 2011	Sept. 30, 2010
Share-based payments	130	157	345	456	678

Share-based payments are a statistically calculated value representing the estimated expense of issuing employee stock options. The Company records a compensation expense over the vesting period based on the fair value of the equity settled options granted to employees, directors and consultants. Share-based payments expense for the first nine months of 2011 decreased compared to the first nine months of 2010. The decrease was due to 788,000 unvested Comaplex options that vested immediately on the sale of Comaplex to Agnico-Eagle on July 6, 2010. Share-based payments expense decreased in Q3 2011 compared to Q2 2011. The decrease was due to most of the share-based payments expense on 2,997,000 options issued on July 29, 2010 being expensed during the first year of issuance, which was partially offset by the forfeiture of

180,000 stock options in Q2, which caused amounts expensed in prior periods to be reversed in Q2. Based on current outstanding options, the Company anticipates that an expense of approximately \$106,000 will be recorded for the balance of 2011, \$276,000 for 2012, \$93,000 for 2013 and \$3,000 for 2014.

The estimated weighted average fair value of 450,000 share options (December 31, 2010 – 3,009,000) granted during the period was \$263,000 (December 31, 2010 - \$984,000) (\$0.58 per option (December 31, 2010 - \$0.33 per option)). No options were exercised during the period.

The fair value of each share-based payment transaction was estimated on the date of the grant, as determined by using the Black-Scholes option-pricing model with the following assumptions:

	September 30, 2011	December 31, 2010
Weighted-average risk free interest rate (%) ⁽¹⁾	2.2	1.8
Expected life (years)	3.3	3.3
Weighted-average volatility (%) ⁽²⁾	57.0	57.0
Forfeiture rate (%)	0.0	0.0
Dividend yield (%)	0.0	0.0

⁽¹⁾ Risk-free interest rate is based on the weighted average Government of Canada benchmark bond yields for two, three and five year terms to match corresponding vesting periods.

⁽²⁾ The expected volatility is measured as the standard deviation of expected share price returns based on statistical analysis of historical weekly share prices for a representative period.

Depletion and Depreciation Expense

(\$ 000s)	Three months ended			Nine months ended	
	Sept. 30, 2011	June 30, 2011	Sept. 30, 2010	Sept. 30, 2011	Sept. 30, 2010
Depletion and depreciation expense	71	59	87	193	251

The decrease in depletion and depreciation expense for the first nine months of 2011 compared to 2010 is primarily related to decreased production volumes. The increase in depletion and depreciation expense for third quarter of 2011 compared to the second quarter of 2010 is due to a full quarter of depreciation on equipment purchased in the second quarter of 2011.

Capital costs that result in the addition of reserves on oil and gas or mineral properties are depleted using the unit-of-production basis by producing field (over their total proved reserve life) or mine. Oil and gas tangible assets, such as well site equipment, are depreciated based on a 20 percent declining balance per year. Mineral assets consist of exploration and evaluation costs and presently do not have proved producing reserves and are therefore not subject to depletion. The Company reviews the carrying value of its mineral properties on an ongoing basis and reduces the carrying value of properties if it is determined that the property values are lower than the recoverable amount which is the greater of its value-in-use or its fair value less costs to sell. Equipment is depreciated at 10 to 20 percent per year on a declining balance.

Income Taxes (Recovery)

(\$ 000s)	Three months ended			Nine months ended	
	Sept. 30, 2011	June 30, 2011	Sept. 30, 2010	Sept. 30, 2011	Sept. 30, 2010
Deferred tax (recovery)	328	(30)	(273)	256	(266)

The Company has adopted the liability method of accounting for income taxes under which the deferred tax provision is based on the temporary differences between the carrying values and tax values of assets and

liabilities using income tax rates expected to apply in the year in which the temporary differences will reverse. The Company has sufficient tax pools to ensure that no current income taxes are payable.

A deferred tax expense was recorded in the first nine months of 2011 for the decrease in the valuation allowance on Geomark's deferred tax assets due to the decrease in the fair value of investments held. The difference in deferred tax expense (recovery) quarter over quarter was due to the same reason.

Due to changes in estimates, tax rates and other differences in the Geomark Operations compared to the legal entity tax returns of Comaplex prior to July 6, 2010, Geomark incurred a deferred tax recovery in the first nine months of 2010. The right to the contingent receivable was transferred to Geomark at fair value (\$13,500,000) on July 6, 2010. The tax related to the funds received from the contingent receivable was accounted for within Comaplex.

The Company has the following tax pools which may be used to reduce taxable income in future years limited to the applicable rates of utilization:

	Rate of Utilization (%)	Amount (\$ 000s)
Undepreciated capital costs	20 - 100	1,014
Canadian oil and gas property expenditures	10	4,378
Canadian development expenditures	30	104
Canadian exploration expenditures	100	1,835
Non-capital loss carryforward ⁽¹⁾	100	749
		8,080

⁽¹⁾ Federal income tax losses carried forward expire in the following years; 2030 - \$330,000 and 2031 - \$419,000.

Net Earnings (Loss)

(\$ 000s)	Three months ended			Nine months ended	
	Sept. 30, 2011	June 30, 2011	Sept. 30, 2010	Sept. 30, 2011	Sept. 30, 2010
Net earnings (loss)	(281)	141	13,274	(167)	13,096

Net loss for the first nine months of 2011 compared to net earnings for the first nine months of 2010 is primarily due to the receipt of the \$13,500,000 contingent receivable received in Q3 of 2010. The net loss in Q3 2011 compared to net earnings in Q2 2011 is mainly attributable to a deferred tax expense in Q3 compared to a deferred tax recovery in Q2.

Other Comprehensive Income

Other comprehensive income relates entirely to the changes in fair value of Geomark's investments in Bonterra and Pine Cliff Energy Ltd. (Pine Cliff). During the first nine months ended September 30, 2011, the market value of the investments decreased by \$1,467,000 compared to a \$1,635,000 increase for the nine months ended September 30, 2010. In the third quarter of 2011, the market value of the investments decreased by \$2,475,000 from the previous quarter (Q2 2011 – increase of \$225,000).

Funds Flow

(\$ 000s)	Three months ended			Nine months ended	
	Sept. 30, 2011	June 30, 2011	Sept. 30, 2010	Sept. 30, 2011	Sept. 30, 2010
Cash deficiency from operations	(104)	(24)	(182)	(290)	(398)
Add the effects of investment dividend and interest income					
Dividend income	159	156	135	462	374
Interest income	178	177	107	530	247
Change in non-cash working capital	(40)	(39)	-	(117)	-
Funds flow	193	270	60	585	223

Funds flow increased by \$362,000 in the first nine months of 2011 compared to the first nine months of 2010. The increase was primarily due to increased dividend and interest income. This increase was partially offset by decreased oil and gas revenue, increased crown royalties, and the settling of decommissioning liabilities. Q3 2011 funds flow decreased from Q2 2011 due to increased general and administrative costs, crown royalties and a decrease in non-cash working capital from operating activities, which was partially offset by an increase in oil and gas sales and a decrease in the settlement of decommissioning liabilities from the second quarter.

Liquidity and Capital Resources

At September 30, 2011, Geomark had a positive working capital position of \$38,748,000 (December 31, 2010 - \$39,923,000). These numbers do not include the value of liquid investments of \$9,206,000 at September 30, 2011 (December 31, 2010 - \$10,673,000).

Capital expenditures on Geomark's mineral properties in the first nine months of 2011 were \$1,728,000 (September 30, 2010 - \$47,000). Capital expenditures of \$91,000 (September 30, 2010 - \$158,000) for the nine month periods were incurred on Geomark's oil and natural gas assets for capital maintenance projects and other capital assets. The Company continues to evaluate mineral prospects located in North America. The Company's main focus is precious metals (gold and/or silver), but other commodities are being considered on a property by property basis. The Company remains optimistic that opportunities to acquire quality mineral properties will be available in the near-term.

The Company's authorized share capital consists of an unlimited number of common shares without nominal or par value as well as an unlimited number of first preferred shares. A summary of the status of the issued common shares and changes for the period ended September 30, 2011 are as follows:

	Number	Amount (\$ 000s)
Common Shares		
Balance, January 1, 2010 ⁽¹⁾	52,039,760	21,152
Additional net investment to Comaplex		(641)
Balance, December 31, 2010 and September 30, 2011	52,039,760	20,511

⁽¹⁾ Geomark issued one common share upon incorporation on April 20, 2010, and on July 6, 2010 issued 52,039,760 common shares as consideration for the net investment in Geomark Operations with an ascribed net book value of \$21,152,000 as at December 31, 2009 and cancelled the original common share. For purposes of the earnings per share calculation, it was assumed that all 52,039,760 shares issued have been outstanding since January 1, 2010.

The Company provides an equity settled option plan for its directors, officers, employees and consultants. Under the plan, the Company may grant options for up to 10 percent of the outstanding common shares which as of September 30, 2011 was 5,203,976. The exercise price of each option granted will not be lower

than the market price of the Company's stock on the date of grant and the option's maximum term is five years. Options generally vest one-third each year for the first three years of the option term.

A summary of the status of the Company's stock option plan as of September 30, 2011 and December 31, 2010, and changes during the nine month and twelve month periods ended on those dates is presented below:

	September 30, 2011		December 31, 2010	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Outstanding at beginning of period	3,009,000	\$ 0.80	-	\$ -
Options issued	450,000	1.42	3,009,000	0.80
Options forfeited	(180,000)	0.80	-	-
Outstanding at end of period	3,279,000	\$ 0.89	3,009,000	\$ 0.80
Options exercisable at end of period	999,000	\$ 0.80	-	\$ -

The following table summarizes information about options outstanding at September 30, 2011:

Options Outstanding			Options Exercisable		
Range of exercise prices	Number outstanding	Weighted-average remaining contractual life	Weighted-average exercise price	Number exercisable	Weighted-average exercise price
\$ 0.80 to \$ 1.00	2,817,000	1.9 years	\$ 0.80	999,000	\$ 0.80
1.05 to 1.25	12,000	2.6 years	1.25	-	-
1.25 to 1.60	450,000	2.8 years	1.42	-	-
\$ 0.80 to \$ 1.60	3,279,000	2.0 years	\$ 0.89	999,000	\$ 0.80

Related Party Transactions

Geomark paid a management fee to Bonterra of \$202,500 for the first nine months of 2011 (September 30, 2010 - \$249,000 paid by Geomark and Comaplex). Bonterra is a publicly traded oil and gas corporation listed on the Toronto Stock Exchange, that has common directors and management with Geomark. Services provided by Bonterra include executive and finance services, accounting services, oil and gas administration and office administration. All services performed are charged at estimated fair value. Geomark also shares costs with Bonterra for office rental, employee benefits compensation and office materials. These costs have been included in office and administrative costs. As at September 30, 2011, Geomark had amounts owing to Bonterra of \$33,000 (December 31, 2010 - \$35,000).

In 2010, Bonterra sold \$102,000 of Alberta crown royalty drilling credits to Geomark for \$51,000. Crown royalty drilling credits were used to reduce crown royalties paid by Geomark by up to \$102,000.

As at September 30, 2011, Bonterra owns 689,682 (December 31, 2010 - 689,682) common shares in Geomark and previous to July 6, 2010, the equivalent amount in Comaplex.

Geomark assets at September 30, 2011 include, 204,633 (December 31, 2010 - 204,633) common shares in Bonterra representing just over one percent of the outstanding shares of Bonterra. The fair value of the shares is \$9,161,000 at September 30, 2011 (December 31, 2010 - \$10,569,000). For the nine month period ended September 30, 2011, Geomark received dividend income of \$462,000 (September 30, 2010 - \$374,000 received by Geomark and Comaplex) from this investment.

At September 30, 2011, Geomark has loaned Bonterra \$20,000,000 (December 31, 2010 - \$20,000,000). The loan is subordinated to Bonterra's bank debt, is unsecured, bears interest at Canadian chartered bank prime less 5/8 of a percent and has no set repayment terms. The loan is payable upon demand subject to availability under Bonterra's line of credit. At September 30, 2011, Bonterra has sufficient room under its line of credit to repay the loan. Interest earned on the loan during the nine month period ended September 30, 2011 was \$355,000 (September 30, 2010 - \$193,000 received by Geomark and Comaplex).

On November 1, 2011, the Company entered into a floating charge debenture with Bonterra to provide security in favor of the Company's loan. Security under the debenture is over all of Bonterra's assets and is subordinated to any and all claims in favour of Bonterra's syndicate of senior lenders providing credit facilities to Bonterra.

Geomark assets at September 30, 2011 also include, 346,250 (December 31, 2010 – 346,250) common shares in Pine Cliff. Pine Cliff has common directors and management with the Company. Pine Cliff trades on the TSX Venture Exchange. As of September 30, 2011, the common shares have a fair value of \$45,000 (December 31, 2010 - \$104,000). The ownership of 346,250 common shares represents less than one percent of the total issued and outstanding common shares of Pine Cliff. There were no transactions between Pine Cliff and Geomark.

Sensitivity Analysis

The Company is still in the exploration stage of development of its mineral exploration properties and as such generates nominal cash flow or earnings from these properties. Some of the Company's interest income is subject to the Canadian prime rate and as such, changes of one percent in the prime interest rate would have no significant impact on the net earnings or comprehensive income per share.

In addition, the Company's petroleum and natural gas operations also provide only moderate cash flow and as such changes of U.S. \$1.00 per barrel in the price of crude oil, \$0.10 per MCF in the price of natural gas, and \$0.01 change in the Cdn/U.S. exchange rate would also have no significant impact on the net earnings or comprehensive income per share of the Company.

Financial Reporting Update

Recent Accounting Pronouncements

Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet assessed the impact, if any, that the new amended standards will have on its financial statements or whether to early adopt any of the new requirements.

IFRS 9 "Financial Instruments"

The result of the first phase of the IASB's project to replace IAS 39, "Financial Instruments: Recognition and Measurement". The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value.

IFRS 10 "Consolidated Financial Statements"

Replaces Standing Interpretations Committee 12, "Consolidation - Special Purpose Entities" and the consolidation requirements of IAS 27 "Consolidated and Separate Financial Statements". The new standard replaces the existing risk and rewards based approaches and establishes control as the determining factor when determining whether an interest in another entity should be included in the consolidated financial statements.

IFRS 11 “Joint Arrangements”

Replaces IAS 31 “Interest in Joint Ventures”. The new standard focuses on the rights and obligations of an arrangement, rather than its legal form. The standard redefines joint operations and joint ventures and requires joint operations to be proportionately consolidated and joint ventures to be equity accounted.

IFRS 12 “Disclosure of Interests in Other Entities”

Provides comprehensive disclosure requirements on interests in other entities, including joint arrangements, associates, and special purpose vehicles. The new disclosures require information that will assist financial statement users in evaluating the nature, risks and financial effects of an entity’s interest in subsidiaries and joint arrangements.

IFRS 13 “Fair Value Measurement”

Provides a common definition of fair value within IFRS. The new standard provides measurement and disclosure guidance and applies when IFRS requires or permits the item to be measured at fair value, with limited exceptions. This standard does not determine when an item is measured at fair value and as such does not require new fair value measurements.

Additionally, as of January 1, 2013, Geomark will be required to adopt amendments to IAS 1 “Presentation of Financial Statements” which will require companies to group together items within Other Comprehensive Income that may be reclassified to the net earnings section of the comprehensive income statement. Geomark does not expect a material impact as a result of the amendment.

Additional information

Additional information relating to Geomark may be found on www.sedar.com and by visiting our website at www.geomark.ca.

Management's Responsibility for Financial Statements

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

The audit committee has reviewed these financial statements with management and has reported to the Board of Directors. The Board of Directors has approved the financial statements as presented in this interim report.

Condensed Consolidated Statements of Financial Position

(See Note 1: Basis of Presentation)

As at (unaudited) (\$ 000s)	Note	September 30, 2011	December 31, 2010
Assets			
Current			
Cash		7,016	8,110
Term investment	3	12,000	12,000
Accounts receivable		334	265
Prepaid expenses		45	33
Loan to related party	4	20,000	20,000
		39,395	40,408
Investments	4	9,206	10,673
Exploration and evaluation assets	5	1,954	226
Property, plant and equipment	6	1,726	1,716
		52,281	53,023
Liabilities			
Current			
Accounts payable and accrued liabilities		647	485
Decommissioning liabilities		338	320
		985	805
Shareholders' equity			
Share capital	8	20,511	20,511
Contributed surplus	8	710	254
Retained earnings		24,204	24,371
Accumulated other comprehensive income		5,871	7,082
Total Shareholders' Equity		51,296	52,218
		52,281	53,023

See accompanying notes to these condensed consolidated financial statements.

Condensed Consolidated Statements of Comprehensive Income (Loss)

(See Note 1: Basis of Presentation)

For the periods ended September 30 (unaudited)		Three Months		Nine Months	
(\$ 000s, except \$ per share)		2010		2010	
	Note	2011	(Note 13)	2011	(Note 13)
Revenue					
Receipt of contingent receivable	12	-	13,500	-	13,500
Oil and gas sales, net of royalties	9	362	391	1,020	1,411
Dividend income	4	159	135	462	374
Interest income and other		178	136	530	279
		699	14,162	2,012	15,564
Expenses					
Production costs		126	197	348	492
Office and administration		147	330	403	774
Employee compensation		178	202	523	539
Share-based payments	8	130	345	456	678
Depletion and depreciation	6	71	87	193	251
		652	1,161	1,923	2,734
Earnings before income taxes		47	13,001	89	12,830
Income taxes (recovery)					
Deferred	7	328	(273)	256	(266)
		328	(273)	256	(266)
Net earnings (loss)		(281)	13,274	(167)	13,096
Other comprehensive income (loss)					
Unrealized gains (losses) on investments		(2,475)	1,589	(1,467)	1,635
Deferred taxes on unrealized losses (gains) on investments		328	(630)	256	(636)
		(2,147)	959	(1,211)	999
Total comprehensive income (loss)		(2,428)	14,233	(1,378)	14,095
Net income (loss) per share – Basic and Diluted	8	(0.01)	0.26	(0.00)	0.25
Comprehensive income (loss) per share – Basic and Diluted	8	(0.05)	0.27	(0.03)	0.27

See accompanying notes to these condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flow

(See Note 1: Basis of Presentation)

For the periods ended September 30 (unaudited) (\$ 000s)	Three Months		Nine Months	
	2011	2010 (Note 13)	2011	2010 (Note 13)
Operating Activities				
Earnings before income taxes	47	13,001	89	12,830
Items not affecting cash				
Receipt of contingent receivable	-	(13,500)	-	(13,500)
Share-based payments	130	345	456	678
Depletion and depreciation	71	87	193	251
Unwinding of the discounted value of decommissioning liabilities	2	2	8	6
Dividend income	(159)	(135)	(462)	(374)
Interest income	(178)	(117)	(530)	(260)
Change in non-cash working capital				
Accounts receivable	101	113	48	66
Prepaid expenses	21	57	(12)	184
Accounts payable and accrued liabilities	(117)	(23)	21	(261)
Decommissioning liabilities settled	(22)	(12)	(101)	(18)
Cash used in operating activities	(104)	(182)	(290)	(398)
Financing Activities				
Net investment by Comaplex Minerals Corp.	-	(103)	-	(1,608)
Cash used in financing activities	-	(103)	-	(1,608)
Investing Activities				
Dividend income	159	135	462	374
Interest income	178	107	530	247
Exploration and evaluation expenditures	(501)	(47)	(1,728)	(47)
Property, plant and equipment expenditures	(11)	(1)	(91)	(158)
Property, plant and equipment proceeds	-	-	-	60
Loan to related party	-	(8,000)	-	(8,000)
Receipt of contingent receivable	-	13,500	-	13,500
Change in non-cash working capital items				
Accounts receivable	10	-	(117)	-
Accounts payable and accrued liabilities	(155)	-	140	-
Cash provided by (used in) investing activities	(320)	5,694	(804)	5,976
Net Cash Inflow (Outflow)	(424)	5,409	(1,094)	3,970
Cash, beginning of the period	7,440	14,612	8,110	16,051
Cash, end of the period	7,016	20,021	7,016	20,021
Non-cash financing transactions				
Net investment by Comaplex Minerals Corp.	-	640	-	967

See accompanying notes to these condensed consolidated financial statements.

Condensed Consolidated Statements of Changes in Equity

(See Note 1: Basis of Presentation)

For the periods ended (unaudited)

(\$ 000s except for number of common shares outstanding)

	Number of common shares (Note 8)	Share capital (Note 8)	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total shareholders' equity
January 1, 2010	52,039,760	21,152	-	4,495	11,089	36,736
Share-based payments			103			103
Net investment by Comaplex Minerals Corp.		(641)				(641)
Comprehensive income ⁽¹⁾				999	13,096	14,095
September 30, 2010	52,039,760	20,511	103	5,494	24,185	50,293
Share-based payments			151			151
Comprehensive income ⁽¹⁾				1,588	186	1,774
December 31, 2010	52,039,760	20,511	254	7,082	24,371	52,218
Share-based payments			456			456
Comprehensive loss ⁽¹⁾				(1,211)	(167)	(1,378)
September 30, 2011	52,039,760	20,511	710	5,871	24,204	51,296

(1) Total comprehensive income is equal to the amount under total shareholders' equity

See accompanying notes to these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

As at September 30, 2011 and December 31, 2010 and for the three and nine month periods ended September 30, 2011 and 2010 (unaudited)

1. BASIS OF PRESENTATION

Geomark Exploration Ltd. (Geomark or the Company) was incorporated on April 20, 2010 as a 100 percent wholly-owned subsidiary of Comaplex Minerals Corp. (Comaplex). On July 6, 2010, Geomark was capitalized with Comaplex's Carved Out Operations' assets and obligations (the Geomark Operations), including a 100 percent wholly-owned subsidiary WMC International Limited. In return, Geomark's common shares were distributed to the shareholders of Comaplex, other than Agnico-Eagle Mines Limited (Agnico-Eagle) and Perfora Investments S.a.r.l. (Perfora), on the basis of one Geomark share for every Comaplex share.

As Geomark and the Geomark Operations were under common control, these consolidated financial statements have been presented using accounting for a common control transaction and represent the activities of the above noted entities from the date each commenced operations. The consolidated financial statements presented for comparative purposes reflect the financial position, results of operations and cash flows as if Geomark had been consolidated with the Geomark Operations since inception.

Geomark is a public company listed on the TSX Venture Exchange. The address of the Company's registered office is Suite 901, 1015 4th Street SW, Calgary, Alberta, Canada, T2R 1J4. Geomark has two reportable segments. The Company's primary activity is to explore for both base and precious metals in Canada and internationally, and to a lesser extent, the development and production of oil and natural gas in the Western Canadian Sedimentary Basin.

The condensed consolidated financial statements were authorized for issue by the Company's Board of Directors on November 18, 2011.

2. BASIS OF PREPARATION

a) Statement of compliance

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants (CICA Handbook). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards (IFRS), and requires publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in the interim financial statements in accordance with International Accounting Standard 34 – Interim Financial Reporting (IAS 34) after applying the requirements of International Financial Reporting Standard (IFRS) 1 – First-time Adoption of International Financial Reporting Standards (IFRS 1). In the financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

The accounting policies, methods of application, and the use of judgments and estimates followed in the preparation of the condensed consolidated financial statements and the required and allowed exemptions from retrospective application of IFRS from the transition date of January 1, 2010 are the same as those followed in the preparation of Geomark's March 31, 2011 unaudited interim condensed consolidated financial statements and should be read in conjunction with the March 31 2011 unaudited interim condensed financial statements and the audited financial statements presented under Canadian GAAP for the fiscal year ended December 31, 2010 together with the notes related thereto.

The September 30, 2010 comparative reconciliations to IFRS from the previously published Canadian GAAP consolidated financial statements are summarized in Note 13.

b) Recent pronouncements issued

Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet assessed the impact, if any, that the new amended standards will have on its financial statements or whether to early adopt any of the new requirements.

IFRS 9 "Financial Instruments"

The result of the first phase of the IASB's project to replace IAS 39, "Financial Instruments: Recognition and Measurement". The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value.

IFRS 10 "Consolidated financial Statements"

Replaces Standing Interpretations Committee 12, "Consolidation - Special Purpose Entities" and the consolidation requirements of IAS 27 "Consolidated and Separate Financial Statements". The new standard replaces the existing risk and rewards based approaches and establishes control as the determining factor when determining whether an interest in another entity should be included in the consolidated financial statements.

IFRS 11 "Joint Arrangements"

Replaces IAS 31 "Interest in Joint Ventures". The new standard focuses on the rights and obligations of an arrangement, rather than its legal form. The standard redefines joint operations and joint ventures and requires joint operations to be proportionately consolidated and joint ventures to be equity accounted.

IFRS 12 "Disclosure of Interests in Other Entities"

Provides comprehensive disclosure requirements on interests in other entities, including joint arrangements, associates, and special purpose vehicles. The new disclosures require information that will assist financial statement users in evaluating the nature, risks and financial effects of an entity's interest in subsidiaries and joint arrangements.

IFRS 13 "Fair Value Measurement"

Provides a common definition of fair value within IFRS. The new standard provides measurement and disclosure guidance and applies when IFRS requires or permits the item to be measured at fair value, with limited exceptions. This standard does not determine when an item is measured at fair value and as such does not require new fair value measurements.

Additionally, as of January 1, 2013, Geomark will be required to adopt amendments to IAS 1 "Presentation of Financial Statements" which will require companies to group together items within Other Comprehensive Income that may be reclassified to the net earnings section of the comprehensive income statement. Geomark does not expect a material impact as a result of the amendment.

3. TERM INVESTMENT

Term investment is a guaranteed investment certificate (GIC) that accrues interest at 1.3 percent per annum, matures on November 8, 2011 and the GIC plus accrued interest is redeemable on demand. Interest earned on the GIC for the nine month period ended September 30, 2011 was \$118,000 (September 30, 2010 - \$Nil). On November 8, 2011, the GIC principal plus interest was renewed at 1.1 percent per annum, matures on November 7, 2012 and is redeemable on demand.

4. TRANSACTIONS WITH RELATED PARTIES

Geomark paid a management fee of \$202,500 for the nine month period ended September 30, 2011 (September 30, 2010 - \$249,000 paid by Geomark and Comaplex) to Bonterra Energy Corp. (Bonterra) a publicly traded oil and gas corporation listed on the Toronto Stock Exchange, that has common directors and management with Geomark. Services provided by Bonterra include executive and finance services, accounting services, oil and gas technical services and office administration. All services performed are charged at estimated fair value. Geomark also shares costs with Bonterra for office rental, employee benefits compensation and office materials. These costs have been included in office and administrative expenses. At September 30, 2011, Geomark had amounts owing to Bonterra of \$33,000 (December 31, 2010 - \$35,000).

In 2010, Bonterra sold \$102,000 of Alberta crown royalty drilling credits to Geomark for \$51,000. Crown royalty drilling credits were used to reduce crown royalties paid by Geomark by up to \$102,000.

At September 30, 2011, Bonterra owns 689,682 (December 31, 2010 – 689,682) common shares in Geomark representing just over one percent of the outstanding shares.

At September 30, 2011, Geomark owns 204,633 (December 31, 2010 – 204,633) common shares in Bonterra representing just over one percent of the outstanding shares of Bonterra. The shares have a fair value of \$9,161,000 (December 31, 2010 - \$10,569,000). For the nine month period ended September 30, 2011, Geomark received dividend income of \$462,000 (September 30, 2010 - \$374,000 received by Geomark and Comaplex) from this investment.

At September 30, 2011, Geomark has loaned Bonterra a total of \$20,000,000 (December 31, 2010 - \$20,000,000), that is subordinated to Bonterra's bank debt and is unsecured, bears interest at Canadian chartered bank prime less 5/8 of a percent and has no set repayment terms. The loan is payable upon demand subject to availability under Bonterra's line of credit. At September 30, 2011, Bonterra has sufficient room under its line of credit to repay the loan. Interest earned on the loan during the nine month period ended September 30, 2011 was \$355,000 (September 30, 2010 - \$193,000 received by Geomark and Comaplex).

On November 1, 2011, the Company entered into a floating charge debenture with Bonterra to provide security in favor of the Company's loan to Bonterra. Security under the debenture is over all of Bonterra's assets and is subordinated to any and all claims in favour of Bonterra's syndicate of senior lenders providing credit facilities to Bonterra.

At September 30, 2011, Geomark also owns 346,250 (December 31, 2010 – 346,250) common shares in Pine Cliff Energy Ltd. (Pine Cliff). Pine Cliff has common directors and management with Geomark. Pine Cliff shares trade on the TSX Venture Exchange. As of September 30, 2011, the common shares have a fair value of \$45,000 (December 31, 2010 - \$104,000). Geomark's ownership of 346,250 common shares represents less than one percent of the total issued and outstanding common shares of Pine Cliff.

Compensation of key management personnel

(\$ 000s)	Nine Months Ended	
	September 30, 2011	September 30, 2010
Compensation	171	180
Share-based payments	248	320
	419	500

Key management personnel are those persons, including all directors, having authority and responsibility for planning, directing and controlling the activities of the Company. Employee compensation only includes key management personnel paid directly by Geomark. Other key management personnel are not paid through Geomark as their services are included in the management fee from Bonterra.

All related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of the consideration established and agreed to by the related parties.

5. EXPLORATION AND EVALUATION ASSETS

(\$ 000s)	
Cost	
Balance at January 1, 2010	-
Acquisitions	61
Additions	165
Balance at December 31, 2010	226
Acquisitions	58
Additions	1,670
Balance at September 30, 2011	1,954

During the nine month period ended September 30, 2011, \$133,000 (December 31, 2010 - \$94,000) of directly attributable office and administration costs related to mineral exploration and evaluation assets were capitalized.

Management has not identified any specific cash generating unit (CGU) for the mineral assets as this division presently consists solely of mineral exploration at this time.

6. PROPERTY, PLANT AND EQUIPMENT

Cost (\$ 000s)	Mineral Properties	Oil and gas properties	Production facilities	Furniture, fixtures and other equipment	Total property, plant and equipment
Balance at January 1, 2010	442	7,256	2,504	-	10,202
Additions	-	200	128	-	328
Disposals	-	(54)	(20)	-	(74)
Balance at December 31, 2010	442	7,402	2,612	-	10,456
Additions	-	127	11	65	203
Balance at September 30, 2011	442	7,529	2,623	65	10,659

Accumulated depletion and depreciation (\$ 000s)	Mineral properties	Oil and gas properties	Production facilities	Furniture, fixtures and other equipment	Total property, plant and equipment
Balance at January 1, 2010	442	5,922	1,973	-	8,337
Depletion and depreciation	-	198	128	-	326
Disposals	-	-	-	-	-
Impairment provision	-	77	-	-	77
Balance at December 31, 2010	442	6,197	2,101	-	8,740
Depletion and depreciation	-	105	78	10	193
Balance at September 30, 2011	442	6,302	2,179	10	8,933

Net book values as at: (\$ 000s)	Mineral properties	Oil and gas properties	Production facilities	Furniture, fixtures and other equipment	Total property, plant and equipment
January 1, 2010	-	1,334	531	-	1,865
December 31, 2010	-	1,205	511	-	1,716
September 30, 2011	-	1,227	444	55	1,726

Impairment

Management has determined there are four CGUs for the oil and gas assets of the Company, which are comprised of:

- Carstairs, Alberta, Canada
- Granta Makepeace, Alberta, Canada
- Garrington Elkton, Alberta, Canada
- Harmattan Elkton, Alberta, Canada

These CGUs are the Company's four producing fields. As part of its impairment analysis, the Company assessed its property, plant and equipment assets, production facilities, furniture and other equipment by CGU for possible impairment. There has been no change in the indication of impairment as of September 30, 2011.

7. DEFERRED TAXES

The Company has recorded a full valuation allowance for its deferred income tax assets as it has been determined that it is unlikely that they will be recovered.

(\$ 000s)	September 30, 2011	December 31, 2010
Deferred tax assets (liabilities):		
Capital assets	913	1,043
Investments	(271)	(452)
Decommissioning liabilities	85	80
Loss carry-forward	187	83
Valuation allowance	(914)	(754)
	-	-

The Company has the following tax pools which may be used to reduce taxable income in future years, limited to the applicable rates of utilization:

	Rate of Utilization (%)	Amount (\$ 000s)
Undepreciated capital costs	20 – 100	1,014
Canadian oil and gas property expenditures	10	4,378
Canadian development expenditures	30	104
Canadian exploration expenditures	100	1,835
Non-capital loss carryforward ⁽¹⁾	100	749
		8,080

⁽¹⁾ Federal income tax losses carried forward expire in the following years; 2030 - \$330,000 and 2031 - \$419,000.

8. SHARE CAPITAL

Authorized

Unlimited number of common shares without nominal or par value

Unlimited number of first preferred shares

	Number	Amount (\$ 000s)
Issued – common shares		
At January 1, 2010 ⁽¹⁾	52,039,760	21,152
Additional net investment to Comaplex		(641)
At December 31, 2010 and September 30, 2011	52,039,760	20,511

⁽¹⁾ Geomark issued one common share upon incorporation on April 20, 2010, and on July 6, 2010 issued 52,039,760 common shares as consideration for the net investment in Geomark Operations with an ascribed net book value of \$21,152,000 as at January 1, 2010 and cancelled the original common share. For purposes of the earnings per share calculation, it was assumed that all 52,039,760 shares issued have been outstanding since January 1, 2010.

The weighted average common shares used to calculate basic and diluted net earnings (loss) and comprehensive income (loss) per share for the periods ended September 30 are as follows:

	Three Months		Nine Months	
	2011	2010	2011	2010
Basic common shares outstanding	52,039,760	52,039,760	52,039,760	52,039,760
Dilutive effect of share options ⁽¹⁾	-	113,772	-	113,772
Diluted common shares outstanding	52,039,760	52,153,532	52,039,760	52,153,532

⁽¹⁾ The Company did not include 3,279,000 share options for the three months ended September 30, 2011 (September 30, 2010 – Nil) and 3,279,000 share options for the nine months ended September 30, 2011 (September 30, 2010 – Nil) in the dilutive effect of share options calculation, as these share options were anti-dilutive.

The Company provides an equity settled stock option plan for its directors, officers, employees and consultants. Under the plan, the Company may grant options for up to 10 percent of the outstanding common shares which as of September 30, 2011 was 5,203,976. The exercise price of each option granted will not be lower than the market price of the Company's stock on the date of grant and the option's maximum term is five years. Options generally vest one-third each year for the first three years of the option term.

A summary of the status of the Company's stock option plan as of September 30, 2011 and December 31, 2010, and changes during the nine month and twelve month periods ended on those dates is presented as follows:

	Number of options	Weighted average exercise price \$
At January 1, 2010	-	-
Options issued	3,009,000	0.80
At December 31, 2010	3,009,000	0.80
Options issued	450,000	1.42
Options forfeited	(180,000)	0.80
At September 30, 2011	3,279,000	0.89

The following table summarizes information about options outstanding at September 30, 2011:

Options Outstanding				Options Exercisable	
Range of exercise prices	Number outstanding at September 30, 2011	Weighted- average remaining contractual life	Weighted- average exercise price	Number exercisable at September 30, 2011	Weighted- average exercise price
\$ 0.80 to \$ 1.00	2,817,000	1.9 years	\$ 0.80	999,000	\$ 0.80
1.05 to 1.25	12,000	2.6 years	1.25	-	-
1.25 to 1.60	450,000	2.8 years	1.42	-	-
\$ 0.80 to \$ 1.60	3,279,000	2.0 years	\$ 0.89	999,000	\$ 0.80

The estimated weighted average fair value of share options granted during the period was \$263,000 or \$0.58 per option (December 31, 2010 - \$984,000 or \$0.33 per option). No options were exercised during the period.

The fair value of each share-based payment transaction was estimated on the date of the grant, as determined by using the Black-Scholes option-pricing model with the following assumptions:

	September 30, 2011	December 31, 2010
Weighted-average risk free interest rate (%) ⁽¹⁾	2.2	1.8
Expected life (years)	3.3	3.3
Weighted-average volatility (%) ⁽²⁾	57.0	57.0
Forfeiture rate (%)	0.0	0.0
Dividend yield (%)	0.0	0.0

(1) Risk-free interest rate is based on the weighted average Government of Canada benchmark bond yields for two, three and five year terms to match corresponding vesting periods.

(2) The expected volatility is measured as the standard deviation of expected share price returns based on statistical analysis of historical weekly share prices for a representative period.

Contributed surplus consists of \$710,000 (December 31, 2010 - \$254,000) of share-based payment expense on the stock options issued by Geomark after July 6, 2010. Prior to July 6, 2010, Geomark Operations expensed a further \$575,000 of Comaplex stock options that vested and were exercised. This expense was recorded as a capital contribution to Geomark.

9. OIL AND GAS SALES, NET OF ROYALTIES

(\$ 000s)	Three Months		Nine Months	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Oil and gas sales	452	427	1,329	1,491
Less:				
Crown royalties	76	21	269	33
Freehold royalties	14	15	40	47
Oil and gas sales, net of royalties	362	391	1,020	1,411

10. BUSINESS SEGMENT INFORMATION

Geomark's activities are principally mineral exploration but are represented by two industry segments comprised of mineral exploration and oil and gas production:

Three months ended	September 30, 2011			September 30, 2010		
(\$ 000s)	Mineral exploration	Oil and gas	Total	Mineral exploration	Oil and gas	Total
Revenue						
Receipt of contingent receivable	-	-	-	13,500	-	13,500
Oil and gas sales, net of royalties	-	362	362	-	391	391
Dividend income ⁽¹⁾	-	159	159	-	135	135
Interest income	178	-	178	136	-	136
	178	521	699	13,636	526	14,162
Expenses						
Production costs	-	126	126	-	197	197
Office and administration	113	34	147	298	32	330
Employee compensation	178	-	178	202	-	202
Share-based payments	130	-	130	345	-	345
Depletion and depreciation	8	63	71	-	87	87
	429	223	652	845	316	1,161
Earnings (Loss) before income taxes	(251)	298	47	12,791	210	13,001
Deferred taxes (recovery)	253	75	328	(329)	56	(273)
Net Earnings (Loss)	(504)	223	(281)	13,120	154	13,274
Capital expenditures						
Exploration and evaluation	501	-	501	47	-	47
Property, plant and equipment	-	11	11	-	1	1
	501	11	512	47	1	48

Nine months ended	September 30, 2011			September 30, 2010		
(\$ 000s)	Mineral exploration	Oil and gas	Total	Mineral exploration	Oil and gas	Total
Revenue						
Receipt of contingent receivable	-	-	-	13,500	-	13,500
Oil and gas sales, net of royalties	-	1,020	1,020	-	1,411	1,411
Dividend income ⁽¹⁾	-	462	462	-	374	374
Interest income	530	-	530	279	-	279
	530	1,482	2,012	13,779	1,785	15,564
Expenses						
Production costs	-	348	348	-	492	492
Office and administration	307	96	403	660	114	774
Employee compensation	523	-	523	539	-	539
Share-based payments	456	-	456	678	-	678
Depletion and depreciation	9	184	193	-	251	251
	1,295	628	1,923	1,877	857	2,734
Earnings (Loss) before income taxes	(765)	854	89	11,902	928	12,830
Deferred taxes (recovery)	42	214	256	(504)	238	(266)
Net Earnings (Loss)	(807)	640	(167)	12,406	690	13,096
Capital expenditures						
Exploration and evaluation	1,728	-	1,728	47	-	47
Property, plant and equipment	65	26	91	-	158	158
	1,793	26	1,819	47	158	205

⁽¹⁾ Dividend income is from an investment in a related party (Bonterra see note 4). Bonterra is solely in the oil and gas industry and as such this corporate investment income has been classified as oil and gas revenue.

As at	September 30, 2011			December 31, 2010		
(\$ 000s)	Mineral exploration	Oil and gas	Total	Mineral exploration	Oil and gas	Total
Exploration and evaluation	1,954	-	1,954	226	-	226
Property, plant and equipment	55	1,671	1,726	-	1,716	1,716
Total Assets	41,266	11,015	52,281	40,382	12,641	53,023
Total Liabilities	491	494	985	250	555	805

11. FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial Risk Factors

Geomark undertakes transactions in a range of financial instruments including:

- Cash
- Term investment
- Accounts receivable

- Loan to related party
- Investments
- Accounts payable and accrued liabilities

Geomark's activities result in exposure to a number of financial risks including market risk (commodity price risk, interest rate risk and foreign exchange risk) credit risk and liquidity risk. Financial risk is managed by senior management under the direction of the Board of Directors.

Geomark does not enter into risk management contracts to sell its oil and gas commodities. Commodities are sold at market prices at the date of sale.

Capital Risk Management

Geomark's objectives when managing capital, which Geomark defines to include equity and working capital balances, are to safeguard Geomark's ability to continue as a going concern, so that it can continue to provide returns to its shareholders and benefits for other stakeholders and to maintain a capital structure that provides a low cost of capital. Geomark has a large working capital balance to fund its future exploration activities.

Geomark believes that it is adequately capitalized to allow it to continue its future mineral and oil and gas activities.

The following section (a) of this note provides a summary of the underlying economic positions as represented by the carrying values, fair values and contractual face values of the financial assets and financial liabilities.

The following section (b) addresses in more detail the key financial risk factors that arise from Geomark's activities including its policies for managing these risks.

a) Financial assets, financial liabilities

The carrying amounts, fair value and face values of Geomark's financial assets and liabilities are shown in Table 1.

Table 1

(\$ 000s)	As at September 30, 2011			As at December 31, 2010		
	Carrying Value	Fair Value	Face Value	Carrying Value	Fair Value	Face Value
Financial assets						
Cash	7,016	7,016	7,016	8,110	8,110	8,110
Term investment	12,000	12,000	12,000	12,000	12,000	12,000
Accounts receivable	334	334	337	265	265	269
Loan to related party	20,000	20,000	20,000	20,000	20,000	20,000
Investments	9,206	9,206	n/a	10,673	10,673	n/a
Financial liabilities						
Accounts payable and accrued liabilities	647	647	647	485	485	485

Financial instruments consisting of accounts receivable, loan to related party and accounts payable and accrued liabilities are carried on the consolidated statement of financial position at amortized cost. Cash, term investment and investments are carried at fair value. All of the fair value items are transacted in active markets. Geomark classifies the fair value of these transactions according to the following hierarchy based on the amount of information available to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly available as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially verified or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on available market data.

Geomark's cash, term investment and investments have been assessed on the fair value hierarchy described above and are all considered Level 1.

b) Risks and mitigations

Market risk is the risk that the fair value or future cash flow of Geomark's financial instruments will fluctuate because of changes in market prices. Components of market risk to which Geomark is exposed are discussed below.

Commodity price risk

Geomark's principal operation is the exploration of mineral properties. Geomark also engages in the production and sale of oil and natural gas to assist with the payment of expenses and exploration programs. Fluctuations in prices of these commodities may directly impact Geomark's performance and ability to continue with its operations.

The Company's management and the Board of Directors have concluded that at the present time the Company will not use risk management contracts to set price parameters for its production.

Sensitivity Analysis

Geomark is still in the exploration stage of development of its mineral exploration properties and therefore generates nominal cash flow or earnings from these properties. In addition, Geomark's petroleum and natural gas operations provide only moderate cash flow and as such, changes of U.S. \$1.00 per barrel in the price of crude oil, \$0.10 per MCF in the price of natural gas and \$0.01 change in the Cdn/U.S. exchange rate would have no significant impact on consolidated comprehensive income.

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities that Geomark uses. The principal exposure to Geomark is on its cash and its loan to related party which have a variable interest rate which gives rise to a cash flow interest rate risk.

Geomark's cash consists of Canadian and U.S. dollar investment chequing accounts. In order to achieve a higher interest rate on a portion of its excess funds, Geomark has purchased a one year redeemable GIC thereby reducing its exposure to interest rate risk.

Sensitivity Analysis

Based on historic movements and volatilities in the interest rate markets and management's current assessment of the financial markets, Geomark believes that a one percent variation in the Canadian prime interest rate is reasonably possible over a 12-month period.

A one percent change in the Canadian prime rate would increase or decrease annual net earnings and comprehensive income by \$202,000.

Equity price risk

Equity price risk refers to the risk that the fair value of the investments will fluctuate due to changes in equity markets. Equity price rate risk arises from the realizable value of the equity bearing financial assets that the Company holds which are subject to variable equity market prices which on disposition gives rise to a cash flow equity price risk. The Company will assume full risk in respect of equity price fluctuations.

Foreign exchange risk

Geomark has no foreign operations and currently makes all of its product sales in Canadian currency. Geomark has an insignificant U.S. cash balance. Geomark does not mitigate Cdn \$/U.S. \$ exchange rate risk by using risk management contracts.

Credit risk

Credit risk is the risk that a contracting party will not complete its obligations under a financial instrument and cause Geomark to incur a financial loss. Geomark is exposed to credit risk on all financial assets included on the consolidated statement of financial position. To help mitigate this risk:

- Geomark only maintains its cash balances with low risk exposure which frequently results in receiving lower interest rates on investments.
- Equity investments are only with entities that have common management and board of directors with Geomark.

Accounts receivable balance at September 30, 2011 (\$334,000) and December 31, 2010 (\$265,000) primarily consist of product sales with major oil and gas marketing companies, all of which have generally paid within 30 days, federal and provincial government refunds and credits and interest from a major Canadian Bank.

Geomark assesses its financial assets quarterly to determine if there has been any impairment. No material impairment provision was required on the mineral and oil and gas financial assets of the Company. Geomark does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The maximum exposure to credit risk is represented by the carrying amounts of cash, term investment, accounts receivable, loan to related party and accounts payable and accrued liabilities on the consolidated statement of financial position. There are no material financial assets that Geomark considers past due.

Liquidity risk

Liquidity risk includes the risk that, as a result of Geomark's operational liquidity requirements:

- Geomark will not have sufficient funds to settle a transaction on the due date;
- Geomark will not have sufficient funds to continue with its exploration projects;

- Geomark will be forced to sell assets at a value which is less than what they are worth; or
- Geomark may be unable to settle or recover a financial asset at all.

To help reduce these risks, Geomark:

- Has a significant working capital base;
- Holds current investments that are readily tradable should the need arise; and
- Maintains a continuous evaluation approach as to the financing requirements for its oil and gas and mining programs.

The Company's financial liabilities as outlined in the financial statements consist of accounts payable and accrued liabilities that are due within a year.

12. CONTINGENT RECEIVABLE

In December 2009, Comaplex acquired Meliadine Resources Ltd. from Perfora Investments S.a.r.l. (Perfora) (a wholly owned subsidiary of Resource Capital Fund III L.P.), by issuance of 12,750,000 common shares of Comaplex. As part of the Purchase and Sale Agreement, Perfora was required to pay additional consideration to Comaplex for the issued common shares upon their sale to a maximum of \$13,500,000.

The right to the contingent receivable was transferred to Geomark as part of the Geomark Operation assets, pursuant to an acquisition agreement between Comaplex, Agnico-Eagle and Geomark (the "Arrangement"). Agnico-Eagle acquired on July 6, 2010 all of the issued and outstanding common shares of Comaplex on the basis of one Comaplex share for 0.1576 of an Agnico-Eagle share. Perfora sold all of its 2,009,400 Agnico-Eagle common shares (12,750,000 times 0.1576 exchange ratio) in the third quarter of 2010. Geomark has received the maximum consideration of \$13,500,000 and booked the amount as income.

13. TRANSITION TO IFRS

As stated in Note 2, these financial statements are prepared in accordance with IFRS. For all accounting periods prior to January 1, 2011, the Company prepared its financial statements under Canadian GAAP. An explanation of how the transition from previous GAAP to IFRS has affected the Company's statement of financial position and comprehensive income is set out in this note.

The accounting policies as disclosed in Geomark's March 31, 2011 unaudited interim condensed consolidated financial statements have been applied consistently in preparing the financial statements for all periods presented.

The following tables provide reconciliations of Canadian GAAP to IFRS for the periods ended and as at September 30, 2010. Reconciliations for statement of financial position as at January 1, 2010 (the Company's transition date) and December 31, 2010 and the reconciliation of the statement of comprehensive income for the year ended December 31, 2010 are disclosed in Geomark's March 31, 2011 condensed consolidated financial statements.

13.1 Reconciliation of the consolidated statement of financial position

As at September 30, 2010				
(\$ 000s)	Notes	Canadian GAAP	IFRS Adjustments	IFRS
Assets				
Current				
Cash		20,021	-	20,021
Accounts receivable		293	-	293
Prepaid expenses		62	-	62
Loan to related party		20,000	-	20,000
Total current assets		40,376	-	40,376
Investments		8,828	-	8,828
Exploration and evaluation assets	(a)	-	47	47
Property, plant and equipment	(a) (b)	1,759	(40)	1,719
		50,963	7	50,970
Liabilities				
Current				
Accounts payable and accrued liabilities		491	-	491
Decommissioning liabilities	(b)	168	18	186
		659	18	677
Shareholders' Equity				
Share capital		20,511	-	20,511
Contributed surplus		103	-	103
Retained earnings	(c)	24,196	(11)	24,185
Accumulated other comprehensive income		5,494	-	5,494
Total Shareholders' Equity		50,304	(11)	50,293
		50,963	7	50,970

13.1 Reconciliation of the consolidated statement of financial position (continued)

IFRS has many similarities with Canadian GAAP as it is based on a similar conceptual framework. However, there are important differences with regard to recognition, measurement and disclosure. Adoption of IFRS resulted in changes to Geomark's consolidated statement of financial position, consolidated statement of comprehensive income and consolidated statement of cash flow as set out below:

a) Exploration and evaluation assets

Under Canadian GAAP, capitalized exploration and evaluation assets were included with the Company's property, plant and equipment assets. Under IFRS, exploration and evaluation assets are separately disclosed within the statement of financial position.

b) Decommissioning liabilities

The discounted value of the decommissioning liabilities has increased due to a change in the discount rate used to calculate the present value of future oil and gas well reclamation and abandonments. Under Canadian GAAP, a risk adjusted discount rate was used. Under IFRS, a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation has been used. In accordance with IFRS 1, the Company has elected to recognize the \$18,000 increase in the decommissioning obligation along with an increase to related property, plant and equipment (PPE) assets and a decrease in retained earnings (see (c) below) at the transition date.

c) Retained earnings

The following table represents the cumulative effect on the above transitional adjustments on retained earnings for the period covered under this reconciliation (see (b) above):

(\$ 000s)	September 30, 2010
PPE adjustment	7
Decommissioning liabilities	(18)
Deferred tax liability	-
Net effect – decrease in retained earnings	(11)

13.2 Reconciliation of the consolidated statement of comprehensive income (loss)

(\$ 000s)	Notes	Three months ended September 30, 2010			Nine months ended September 30, 2010		
		Canadian GAAP	IFRS Adjustments	IFRS	Canadian GAAP	IFRS Adjustments	IFRS
Revenues							
Receipt of Contingent receivable		13,500		13,500	13,500	-	13,500
Oil and gas sales, net of royalties	(a)	388	3	391	1,393	18	1,411
Dividend income		135	-	135	374	-	374
Interest and other income		136	-	136	279	-	279
		14,159	3	14,162	15,546	18	15,564
Expenses							
Production costs	(a)	195	2	197	475	17	492
Office and administration	(b) (d)	529	(199)	330	1,308	(534)	774
Employee compensation	(d)	-	202	202	-	539	539
Share-based payments		345	-	345	678	-	678
Depletion and depreciation	(b) (c)	90	(3)	87	256	(5)	251
		1,159	2	1,161	2,717	17	2,734
Earnings before income taxes		13,000	1	13,001	12,829	1	12,830
Income taxes (recovery)							
Deferred		(276)	(3)	(273)	(269)	3	(266)
Net earnings		13,276	-	13,274	13,098	(2)	13,096
Other comprehensive income							
Unrealized gain on investments		1,589	-	1,589	1,635	-	1,635
Deferred taxes on unrealized gain on investments		(630)		(630)	(636)	-	(636)
		959	-	959	999	-	999
Total comprehensive income for the period		14,235	(2)	14,233	14,097	(2)	14,095
Net earnings per share – Basic and Diluted							
		0.26	-	0.26	0.25	-	0.25
Comprehensive income per share – Basic and Diluted							
		0.27	-	0.27	0.27	-	0.27

13.2 Reconciliation of the consolidated statement of comprehensive income (continued)

The nature of the adjustments is explained as follows:

a) Net profit interest royalty

Under IFRS, the Company disclosed the net profit interest royalty as a production cost. Under Canadian GAAP, this type of royalty was disclosed as royalty expense that was netted off of oil and gas sales.

b) Office and administration

Under IFRS, the Company disclosed the unwinding of the discounted value of decommissioning liabilities under office and administration expense. Under Canadian GAAP, the unwinding of the discounted value of decommissioning liabilities was disclosed with depletion and depreciation. The reclassification increased office and administration costs by \$5,000 for the nine month period ended September 30, 2010 and \$3,000 for the three month period ended September 30, 2010.

c) Depletion and depreciation

Refer to above 13.1 (b).

d) Employee compensation

Under IFRS, the Company's expenses related to employee compensation are disclosed separately on the face of the consolidated statement of comprehensive income. Under Canadian GAAP, this expense was disclosed under office and administration expenses.

13.3 Reconciliation of the consolidated statement of cash flow

(\$ 000s)	Notes	Three months ended September 30, 2010			Nine months ended September 30, 2010		
		Canadian GAAP	IFRS Adjustments	IFRS	Canadian GAAP	IFRS Adjustments	IFRS
Operating Activities							
Earnings before income taxes		13,000	1	13,001	12,829	1	12,830
Items not affecting cash							
Receipt of contingent receivable		(13,500)	-	(13,500)	(13,500)	-	(13,500)
Share-based payments		345	-	345	678	-	678
Depletion and depreciation		90	(3)	87	256	(5)	251
Unwinding of the discounted value of decommissioning liabilities		-	2	2	-	6	6
Dividend income	(a)	-	(135)	(135)	-	(374)	(374)
Interest income	(a)	-	(117)	(117)	-	(260)	(260)
Change in non-cash working capital							
Accounts receivable		113	-	113	66	-	66
Prepaid expenses		57	-	57	184	-	184
Accounts payable and accrued liabilities		(33)	10	(23)	(272)	11	(261)
Decommissioning liabilities settled		(12)	-	(12)	(18)	-	(18)
Cash provided by (used in) operating activities		60	(242)	(182)	223	(621)	(398)
Financing Activities							
Net investment by Comaplex Minerals Corp.		(103)	-	(103)	(1,608)	-	(1,608)
Cash used in financing activities		(103)	-	(103)	(1,608)	-	(1,608)
Investing Activities							
Dividend income	(a)	-	135	135	-	374	374
Interest income	(a)	-	107	107	-	247	247
Mineral exploration property and equipment expenditures		(47)	-	(47)	(47)	-	(47)
Property, plant and equipment expenditures		(1)	-	(1)	(158)	-	(158)
Proceeds on property, plant and equipment		-	-	-	60	-	60
Loan to related party		(8,000)	-	(8,000)	(8,000)	-	(8,000)
Receipt of contingent receivable		13,500	-	13,500	13,500	-	13,500
Cash provided by investing activities		5,452	242	5,694	5,355	621	5,976
Net Cash Inflow		5,409	-	5,409	3,970	-	3,970
Cash, beginning of period		14,612	-	14,612	16,051	-	16,051
Cash, end of period		20,021	-	20,021	20,021	-	20,021

13.3 Reconciliation of the consolidated statement of cash flow (continued)

The nature of the adjustments is explained as follows:

a) Dividend and interest income

Under IFRS, the Company's dividend and interest income are disclosed under investing activities on the face of the consolidated statement of cash flow. Under Canadian GAAP, dividend and interest income was disclosed under operating activities.



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